

not cause them to exceed the individual direct or guaranteed OL loan limits, provided they conduct separate farming operations as individuals and they have not signed as individuals giving personal liability for the entity OL debt. Likewise, such entities whose members or stockholders are individually indebted for the maximum direct or guaranteed OL loan limit, may borrow the maximum direct or guaranteed OL loan limits, providing none of the members or stockholders are required to pledge personal liability for the entity debt. Partners or joint operators of a partnership or joint operation, which is indebted for a \$200,000 direct and a \$200,000 guaranteed OL loan, cannot borrow additional OL funds as individuals in a separate operation because they are each personally liable for the total entity debt. Likewise, such entities, consisting of individuals who are indebted for the maximum direct or guaranteed OL loan limits, are not eligible for OL loan assistance.

(3) Chattel and/or real estate security must be separate and identifiable from the security pledge to FmHA or its successor agency under Public Law 103-354 for a guaranteed loan. Different lien positions on real estate are considered separate and identifiable security.

(c) An direct OL loan may be made to refinance a guaranteed OL loan when the following conditions are met:

(1) The circumstances resulting in the need to refinance were beyond the borrower's control.

(2) Refinancing is in the best interest of the Government and the borrower.

(3) The guaranteed OL loan must be completely paid off at the time the direct OL loan is closed.

(d) New applicants and borrowers indebted to FmHA or its successor agency under Public Law 103-354 and/or an FmHA or its successor agency under Public Law 103-354 guaranteed lender(s) for an EE loan may be considered for an OL loan(s) provided their total outstanding principal indebtedness to FmHA or its successor agency under Public Law 103-354 and/or the FmHA or its successor agency under Public Law 103-354 guaranteed lender(s) for the EE

loan and any FO, SW, RL, and/or OL loans will not exceed \$650,000.

[53 FR 36240, Sept. 19, 1988, as amended at 55 FR 21527, May 25, 1990; 58 FR 44747, Aug. 25, 1993]

§§ 1941.30-1941.31 [Reserved]

§ 1941.32 Catastrophic Risk Protection (CAT) insurance requirement.

Applicants must comply with the CAT insurance requirement no later than loan closing by either:

(1) Obtaining at least the CAT level of coverage, if available, for each crop of economic significance as defined by the Federal Crop Insurance Corporation, or,

(2) By waiving eligibility of emergency crop loss assistance in connection with the uninsured crop. FSA emergency (EM) loss loan assistance is not considered emergency crop loss assistance for the purpose of the crop insurance waiver on the uninsured crop.

[62 FR 9355, Mar. 3, 1997]

§ 1941.33 Loan approval or disapproval.

(a) *Loan approval authority.* Initial and subsequent loans may be approved as authorized by subpart A of part 1901 of this chapter, provided the total direct operating loan principal balance at loan closing does not exceed \$200,000.

(b) *Loan approval action.* (1) The loan approval official must approve or disapprove applications within the deadlines set out in §1910.4 of subpart A of part 1910 of this chapter. The loan approval official is responsible for reviewing the docket to determine whether the proposed loan complies with established policies and all pertinent regulations. When reviewing the docket and before approving the loan, the loan approval official will determine that:

(i) The Agency has certified the applicant eligible,

(ii) Funds are requested for authorized purposes,

(iii) The proposed loan is based on a feasible plan, or meets the requirements set forth in §1941.14(a)(5) of this chapter for annual production loans to delinquent borrowers. Planning forms other than Form FmHA or its successor agency under Public Law 103-354